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FORTUNE

THE 50 YEAR'S MOST FASCINATING BUSINESS PEOPLE

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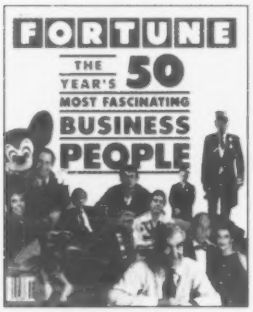

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Exxon's fire sale

■ If asbestos lurks about the premises, even the most prestigious address won't protect a landlord against a depressed sales price. **Exxon** and **Rockefeller Group Inc.** got fewer nibbles and lower bids than expected when they put Exxon's 54-story headquarters at New York's Rockefeller Center on the block in October, hoping to sell by year-end in order to beat the new tax law. Buyer **Mitsui Real Estate Development** invoked the asbestos in the skyscraper's fireproofing to help knock down the price to $610 million, at least $100 million less than what Exxon had hoped.

One-fifth of the nation's 3.7 million office and apartment buildings share Exxon's predicament, according to the Environmental Protection Agency. Asbestos became widely used in construction after the end of World War II; not until 1973 did the government recognize that it causes cancer.

Buildings like Exxon's present no health hazards—as long as the asbestos stays isolated behind walls and ceilings. But renovation work or aging can release the fibers into the air, a deadly danger that makes insurers and corporate tenants worry about potential litigation. So serious is the problem that the federal government no longer leases space in buildings with asbestos, and many top U.S. lenders, like **Aetna Life & Casualty**, refuse to finance property where the fiber is present.

Landlords can solve an asbestos problem with time and money. **Metropolitan Life**, owner of the Pan Am Building in New York, brings in specially trained workers equipped with protective clothing and respirators to remove asbestos whenever tenants vacate a floor. The job costs about $20 a square foot.

Making the Exxon Building entirely safe could cost Mitsui as much as $50 million, estimates Hajime Tsuboi, president of the $3-billion-a-year Japanese firm. "It will be a big problem when there is major renovation," he says. Mitsui will probably face that 2.3-million-square-foot headache between now and 1998, when the last of the current leases expires.

The Exxon tower is Mitsui's now.

NINA BARNETT

How goes global privatization?

■ The capitalist road still looks like yellow brick to governments around the world. In December, Britain, which has already returned $10 billion of assets to the private sector since 1981, sold off **British Gas**, raising $8 billion in the largest equity offer ever. Soon after, the French kicked off an ambitious privatization campaign with the sale of stock in **Saint-Gobain**, a glass and building materials manufacturer (see Personal Investing). Italy, West Germany, Spain, and Austria are also returning national businesses to private investors. In other parts of the world, Chile and Turkey are thinking about privatizing some companies; Singapore and Malaysia have already sold off their state-owned airlines.

Judging by the British experience, privatization is a good deal. The prices of shares in denationalized British companies have risen almost 60% higher on average than the *Financial Times* 500 stock index. That performance would have been even better but for two privatized oil companies, **Britoil** and **Enterprise Oil**, which suffered from the continuing depression in world oil prices. The government plans to part with several more companies—**British Airways** and **Rolls-Royce** among them—over the next two years.

The opposition Labour party platform calls for renationalizing some companies that Prime Minister Margaret Thatcher has sold off. That would be expensive: Taking back **Jaguar** alone, whose stock has soared 220% since it was privatized, would cost $1.4 billion at current prices. Besides, executives who have learned to prosper in the free market are unlikely to want the government on their boards and on their backs. Says Richard O'Brien, London-based editor of the *AMEX Bank Review*: "Once you privatize, it's difficult to turn it back." *continued*

PRIVATIZED BRITISH COMPANIES	STOCK PRICES When issued (date)	As of 12/11/86
Amersham International	**$2.62** (2/82)	**$6.41**
Associated British Ports	**$.86** (2/83)	**$4.48**
British Aerospace	**$3.44** (2/81)	**$6.95**
British Telecom	**$1.61** (11/84)	**$2.86**
Britoil	**$3.51** (11/82)	**$2.12**
Cable & Wireless	**$1.55** (10/81)	**$4.60**
Enterprise Oil	**$2.55** (6/84)	**$2.09**
Jaguar	**$2.18** (7/84)	**$7.53**

SOURCE: AMERICAN EXPRESS BANK LTD.

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The British Gas *public offering was advertised everywhere, even on the floor of the London Stock Exchange. Investors may have good reason to get excited. Shares of other privatized companies have outperformed the London bull market on average by nearly 60%.*